

O&M Suballocation Meeting

September 19-20, 2002

SMUD Office

Attendees:

Janice Bartlett, Western
Linda Bringle, Reclamation
Bernard Erlich, City of Palo Alto Util
Melinda Grow, Western
Russ Harrington, Westlands
Lynn Hurley, Santa Clara
Kathryn Kitchell, City of Roseville
Tasia Papajohn, Reclamation
Larry Riegle, NCI/SVP
Tom Ruthford, Reclamation
Jerry Toenyas, NCPA
Donna Daughety, Reclamation

Michael Bloom, Roseville Electric
Ron Davis, Davis Power Consultants
Mathew Foskett, NCPA
Michael Hagman, TCCA
Chase Hurley, Panoche Water District
Ron Jacobsma, Friant Water Auth
Russell Knight, Western
Steve Richardson, Western
Ed Roman, SMUD
George Senn, CVPWA
Martin Bauer, Reclamation

We began the meeting by going over the agenda. Then Martin led the discussion on the formulas that the Formula Subgroup created and explained any questions that came up.

When we were going through the formulas it became apparent that we needed to spend more time on the Power/Ancillary Services Purchases for PUE costs formulas. The group decided to hold a special meeting at a later date to discuss these costs and possibly develop other formulas.

There was a concern raised that we had broken out Western's costs and why had we not looked at Reclamation's in the same way. The formula workgroup had looked at the Reclamation costs at the same detail as we looked at Western and the formulas that were developed for the details (Water Marketing, Carriage System, Transmission, Hydraulic Power Generation, and AG&E Expenses) were identical to the PUE formula. (project / CVP gen – regen).

We reviewed the interest based process and began discussion on the best approach to evaluation the formulas. Reclamation suggested evaluating the formulas on levels and the group agreed that we would use the following criteria.

Level 5 – Definitely meets all interests

Level 4 – Appears to meet all interests

Level 3 – Meets majority of interests and can be modified to meet all interests.

Level 2 – Meets a majority of interests but cannot be modified to meet all interests

Level 1 – Meets less than majority of interests.

There had been a suggestion that the group split into two groups and each group rate the formulas using the above criteria. When that time came, the group decided to stay as a whole and work through the formulas.

The group evaluated each formula and rated the formula on the above criteria, except for Western's Administrative Expenses and the Power/Ancillary Services Purchases for PUE . These two areas will be discussed at a later time.

Navigant will be devising a model to run the formulas and test operating scenarios (max peaking, load following.

Next Meetings

October 7, 2002 (Western Offices) and October 8 (SMUD Offices) – 9 a.m. – 3 p.m.

November 13-14, 2002 – Visalia, CA

December 11, 2002 – Western Offices